gravitation are always drawing it back. Such influences frequently constitute under existing conditions a factor of sufficient certainty to be included as an element of cost of production. For instance, the risk of loss may necessitate an increase of the rate of interest by several per cent. over what it would otherwise be in order to replace the capital which will under ordinary circumstances be lost in the course of business. These conditions do not, however, exist in the static state and cannot properly be considered in it.

The two complications mentioned having been disposed of, we are justified in saying that in the static state the cost of production of all commodities can be reduced to terms of the labor necessary to produce or acquire them. Now, as in the static state commodities exchange in the ratio which the cost of production of the one stands to the cost of production of the other, and as the cost of production can be expressed as the compensation of the units of labor expended, it follows that commodities exchange in the ratio in which the number of units of labor necessary for the production of the one stands to the number of units of labor required for the production of the other.

In actual life this formula applies, of course, as a tendency instead of as an actuality. Nevertheless it furnishes the center of gravitation toward which the prices of commodities ever tend and in which they will ultimately find repose.

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THE RUSSIAN MONETARY REFORM

THOSE who have attempted to follow the successive steps in the recent Russian legislation upon monetary matters have unquestionably encountered many difficulties arising from the difference between the old and new rubles. The redemption of the old paper at the rate of 1 in specie to 1 ½ in currency at once established a new (formal) basis for prices, wages, etc., and rendered many series of statistical returns, extending over a period of recent years, incomprehensible to those who failed to remember that a currency ruble before the monetary reform was a unit very different from the new gold ruble. Russian debt returns have been stated sometimes in old currency rubles, sometimes in old gold rubles, and sometimes in gold rubles of the new system. Again, the series of important measures, each ordinarily representing but one step in the reform movement, has been difficult to remember

in the proper sequence. On the other hand, some of these measures have changed the effect of preceding ones, and the legislation has had a tendency to become confusing, if not unintelligible to the general student. Such difficulties will now be largely overcome. In the recent law of June 19, 1899,[1] the effort has been made to give a clear and connected statement of the existing legislation of the empire on money, and it is further provided that henceforward all government accounts and debt evidences shall be stated in terms of the new gold rubles. To those who have carefully studied the recent legislation as it was evolved during the past few years, the new fundamental act will present nothing new, beyond some provisions for the conduct of the mint, etc. The import of the new law is that it closes the series of monetary acts, sums up in intelligible form so much of their content as is still in force, and will do much to remove the statistical confusion which had puzzled the student.

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THE GOLD STANDARD IN INDIA.

THE action of the Indian government in closing their mints to the free coinage of silver, June 26, 1893, in accord with the recommendations of the Herschell Committee was by some observers regarded as a temporary expedient. The report of the last Indian Currency Committee, appointed in April 1898, was presented to the secretary of state for India, Lord George Hamilton, on July 7, 1899. The dispatch of the secretary to the governor-general, dated April 7, 1898, discloses the fact that the committee was appointed "with a view to the completion of the policy initiated in 1893, when, as a first step towards the establishment of a gold standard in India, the Indian mints were closed." This confirms what was said in this JOURNAL (September 1897) of the futility of the proposals of the American commissioners that the Indian mints should be reopened. And, if the British government had a permanent monetary policy already outlined for India, it throws light on the clever diplomacy of the Salisbury government in allowing our commissioners to exploit their silver proposals at London for

[1] See the copy of this legislation (French and English) issued by the *Bulletin Russe de Statistique Financière et de Legislation*, in separate brochure. (Council of State. Coinage Law, June 7 (19th), 1899. St. Petersburg: Imperial Academy of Sciences, 1899.)